

SEC Mail Processing  
Section

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
Hours per response . . . . 12.00



09057416

R 02 2009

Washington, DC  
110

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
8- 53408

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2008 AND ENDING 12/31/2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**JAG TRADING L.L.C.**

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**6441 Inkster Rd # 240**

(No. and Street)

**Bloomfield Hills**

(City)

**MI**

(State)

**48301**

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Craig E. Bauer**

**248-406-3265**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Kempisty & Company, Certified Public Accountants, P.C.**

(Name - if individual, state last, first, middle name)

**15 Maiden Lane, Suite 1003**

(Address)

**New York**

(City)

**New York**

(State)

**10038**

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**  
MAR 2 2009  
BRANCH OF REGISTRATIONS  
AND  
EXAMINATIONS  
04

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

SEC 1410 (06-02)

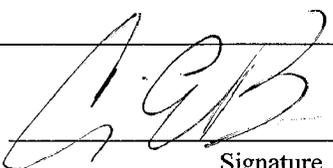
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

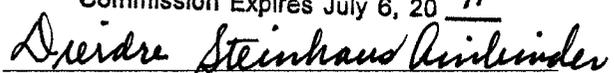
AB  
3/20

OATH OR AFFIRMATION

I, Craig E. Bauer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JAG TRADING L.L.C., as of December 31, 20 08, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_  
Signature  
**Managing Member**  
\_\_\_\_\_  
Title

**DIERDRE STEINHAUS AINBINDER**  
Notary Public, State of New York  
No. 01A14899711  
Qualified in Nassau County  
Commission Expires July 6, 20 11  
  
\_\_\_\_\_  
Notary Public

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**JAG TRADING, LLC**

**Financial Statements and Supplemental Schedules**

**December 31, 2008**

**(With Independent Auditor's Report Thereon and Supplemental report on Internal Control required by Rule 17a-5)**

**JAG TRADING, LLC**

**DECEMBER 31, 2008**

**INDEX**

	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>3</b>
<b>STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY</b>	<b>4</b>
<b>STATEMENT OF INCOME AND EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CHANGES IN MEMBERS' EQUITY</b>	<b>6</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8-11</b>
<b><u>SUPPLEMENTARY INFORMATION PURSUANT TO RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934:</u></b>	
<b>SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION</b>	<b>13</b>
<b>SCHEDULE II - INFORMATION RELATING TO RESERVE REQUIREMENTS FOR BROKER/DEALERS AND INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3</b>	<b>14</b>
<b>SUPPLEMENTARY REPORT OF INDEPENDENT AUDITOR</b>	<b>16-17</b>

# KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

---

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
JAG Trading, LLC

We have audited the accompanying statement of assets, liabilities and members' equity of JAG Trading, LLC (the Company) as of December 31, 2008 and the related statements of income and expenses, changes in members' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JAG Trading, LLC at December 31, 2008 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kempisty & Company CPAs PC*

Kempisty & Company  
Certified Public Accountants PC  
New York, New York  
February 27, 2009

**JAG TRADING, LLC**

**STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY**

**DECEMBER 31, 2008**

ASSETS

Cash and cash equivalents	\$	2,416
Receivable from broker/dealer		39,456,479
Securities owned, at market value-Equities		97,190,520
Securities owned, at market value-Options		518,326
Interest and dividends receivable		140,014
Other assets		<u>10,000</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u><u>137,317,755</u></u></b>

LIABILITIES AND MEMBERS' EQUITY

Equities sold, not yet purchased, at market value	\$	105,484,548
Accounts payable		<u>17,896</u>
<b>TOTAL LIABILITIES</b>		<b>105,502,444</b>
Commitments and Contingent Liabilities		-
Members' Equity		<u>31,815,311</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$</b>	<b><u><u>137,317,755</u></u></b>

**The accompanying notes are an integral part of these financial statements.**

**JAG TRADING, LLC**

**STATEMENT OF INCOME AND EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

Revenues:	
Firm trading	\$ 55,061,815
Interest	1,609,615
Dividends	1,014,103
Other income	<u>4,904,400</u>
Total Revenues	<u>62,589,933</u>
Expenses:	
Interest	6,672,864
Commissions and floor brokerage	1,651,199
Other	<u>6,656,899</u>
Total Expenses	<u>14,980,962</u>
Income before income taxes	47,608,971
Provision for income taxes	<u>-</u>
Net income	<u>\$ 47,608,971</u>

**The accompanying notes are an integral part of these financial statements.**

**JAG TRADING, LLC**

**STATEMENT OF CHANGES IN MEMBERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

Members' equity at January 1, 2008	\$ 13,451,900
Members' contributions	68,447,840
Members' withdrawals	(97,693,400)
Net income	<u>47,608,971</u>
Members' equity at December 31, 2008	\$ <u><u>31,815,311</u></u>

**The accompanying notes are an integral part of these financial statements.**

**JAG TRADING, LLC**

**STATEMENT OF CASH FLOWS**

**FOR YEAR ENDED DECEMBER 31, 2008**

Increase (Decrease) in cash

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	\$ 47,608,971
Depreciation	920
Adjustments to reconcile net income to cash provided by operating activities:	
Changes in operating assets and liabilities:	
Decrease in receivable from broker/dealer	20,635,627
(Increase) in securities owned	(14,979,646)
(Increase) in interest and dividends receivable	(118,063)
(Decrease) in securities sold, not yet purchased	(25,013,056)
Increase in accounts payable	7,539
Total adjustments	<u>(19,466,679)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>28,142,292</b></u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Member contribution	68,447,840
Member withdrawals	<u>(97,693,400)</u>
<b>CASH USED BY FINANCING ACTIVITIES</b>	<u><b>(29,245,560)</b></u>

**NET DECREASE IN CASH** (1,103,268)

**CASH**

Beginning of year	<u>1,105,684</u>
End of year	<u><u>\$ 2,416</u></u>

**SUPPLEMENTAL CASH FLOW INFORMATION:**

Income taxes paid	<u>\$ -</u>
Interest paid	<u><u>\$ 6,672,864</u></u>

**The accompanying notes are an integral part of these financial statements.**

## JAG TRADING, LLC

### NOTES TO FINANCIAL STATEMENTS

December 31, 2008

#### NOTE 1- NATURE OF BUSINESS

JAG Trading, LLC (the "Company") engages in trading strategies involving primarily equities and equity derivative instruments on a proprietary basis. The company is registered as a broker/dealer with the Securities and Exchange Commission ("SEC") and is a member of the Chicago Stock Exchange.

#### NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Securities Owned and Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased are valued at market value based on listed market prices. Unrealized gains and losses are reflected in Firm trading in the Statement of Income. Securities sold, not yet purchased represent obligations of the Company to purchase the securities at prevailing market prices. The ultimate gains or losses recognized are dependent upon the prices at which these securities are purchased to settle the obligation under the sales commitments. Securities transactions are recorded on the trade date.

##### Fixed Assets

Equipment and furniture is recorded at cost and is depreciated over its estimated useful life using an accelerated method. At December 31, 2008, accumulated depreciation was \$15,816.

##### Fair Value of Derivative Financial Instruments

Financial instruments recorded at fair value on the Company's statement of financial condition include securities owned and securities sold, not yet purchased. Other financial instruments are recorded by the Company at contract amounts and include receivables from and payables to clearing broker. Financial instruments carried at contract amounts, which approximate fair value, either have short-term maturities, are repriced frequently, or bear market interest rates and, accordingly, are carried at amounts approximating fair value.

##### Comprehensive Income

The Company has not presented a Statement of Comprehensive Income because it does not have any items of "other comprehensive income".

**JAG TRADING, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

The Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"), effective January 1, 2008. The provisions of SFAS 157 are to be applied prospectively.

SFAS 157 clarifies that fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Under SFAS 157, fair value measurements are not adjusted for transaction cost. SFAS 157 provides for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.
- Level 3: Unobservable inputs. Unobservable inputs reflect the assumptions that the Company develops based on available information about what market participants would use in valuing the asset or liability.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The Company uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 and Level 2 assets or liabilities.

Recent Accounting Pronouncements

The Company does not expect the adoption of recent accounting pronouncements to have any material impact on its financial condition or results of operations.

**JAG TRADING, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

**NOTE 3- FAIR VALUE OF INSTRUMENTS**

The following are the Company's investments owned and securities sold short by level within the fair value hierarchy at December 31, 2008.

<u>Assets</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Marketable securities	\$ <u>97,708,846</u>	Level 1
<u>Liabilities</u>		
Marketable securities sold short	\$ <u>105,484,548</u>	Level 1

**NOTE 4- INCOME TAXES**

No provision has been made for income taxes as the taxable income or loss is included in the respective income tax returns of the Members.

**NOTE 5- DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative contracts are financial instruments whose value is based upon an underlying asset, index, or reference rate or a combination of these factors. The Company enters into derivative transactions, including exchange-traded options. Options held provide the Company with the opportunity to deliver or take delivery of specified financial instruments at a contracted price. Options written (sold) obligate the Company to deliver or take delivery of specified financial instruments at a contracted price in the event the holder exercises the option. These derivative financial instruments may have market risk and/or credit risk in excess of the amounts recorded in the statement of financial condition.

Market Risk

Market risk is the potential change in an instrument's value caused by fluctuations in interest rates, equity prices, credit spreads, volatilities, correlations, liquidity, or other risks. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of derivative financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Company's overall exposure to market risk. The Company utilizes various analytical monitoring techniques to control its exposure to market risk.

**JAG TRADING, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2008**

**NOTE 5- DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

Credit Risk

Credit risk arises from the possible inability of counterparties to meet the terms of their contracts. For exchange-traded financial instruments, clearing corporations act as the counterparties of specific transactions and, therefore, bear the risk of delivery to, and from counterparties of specific positions.

Guarantees

In the normal course of trading activities, the Company trades and holds certain fair-valued derivative contracts, which may constitute guarantees under Financial Accounting Standards Board (FASB) Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45). Such contracts include written option contracts that are not settled in cash. These written option contracts obligate the Company to deliver or take delivery of specified financial instruments at a contracted price in the event the holder exercises the option.

As of December 31, 2008, the maximum payouts for these contracts are limited to the notional amounts of each contract. Maximum payouts do not represent the expected future cash requirements as the Company's written options positions are typically liquidated or expire and are not exercised by the holder of the option. In addition, maximum payout amounts, in the case of the exercise of written call options, may be offset by the subsequent sale of the underlying financial instrument if owned by the Company. The fair values of all written option contracts as of December 31, 2008, are included in securities and derivative contracts sold, not yet purchased on the statement of financial condition.

**NOTE 6- CONCENTRATIONS OF CREDIT RISK**

At December 31, 2008, a credit concentration with the Company's clearing broker consisted of approximately \$32 million representing the market values of the Company's trading accounts. The Company monitors the credit worthiness of the clearing broker to mitigate the Company's exposure to credit risk.

**NOTE 7- REGULATORY MATTERS**

As a registered broker/dealer, the Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2008, the Company had net capital of \$17,003,892 which exceeded requirements by \$16,903,892 and the ratio of aggregate indebtedness to net capital was 0.11 to 1.

**SUPPLEMENTARY INFORMATION**

**JAG TRADING, LLC**

**SCHEDULE I  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2008**

NET CAPITAL:		
Members' equity		\$ 31,815,311
Less non-allowable assets and deductions:		
Other assets		<u>10,000</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES		31,805,311
Haircuts on securities	14,742,118	
Undue concentration charges	<u>59,301</u>	<u>14,801,419</u>
NET CAPITAL		17,003,892
AGGREGATE INDEBTEDNESS		\$ <u>17,896</u>
MINIMUM NET CAPITAL REQUIRED (6.67% of aggregate indebtedness)		\$ <u>1,193</u>
MINIMUM NET CAPITAL DOLLAR REQUIREMENT		\$ <u>100,000</u>
MINIMUM NET CAPITAL REQUIRED		\$ <u>100,000</u>
EXCESS NET CAPITAL (\$17,003,892 - \$100,000)		\$ <u>16,903,892</u>
PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	\$ <u>17,896</u> \$ 17,003,892	<u>0.11%</u>

**There are no material differences between the above computation and the computation included in the Company's corresponding unaudited Form X-17A-5 Part IIA filing.**

**JAG TRADING, LLC**

**SCHEDULE II**  
**INFORMATION RELATING TO RESERVE REQUIREMENTS FOR BROKER/  
DEALERS AND INFORMATION RELATING TO POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3**  
**DECEMBER 31, 2008**

The Company claims an exemption from the provisions of Rule 15c3-3 under paragraph (K) (2) (a). Accordingly, the "Computation for Determination of Reserve Requirements" and "Information Relating to the Possession or Control Requirements" under such rule have not been prepared.

**JAG TRADING, LLC**

**INDEPENDENT AUDITORS' SUPPLEMENTARY REPORT ON  
INTERNAL ACCOUNTING CONTROL**

**YEAR ENDED DECEMBER 31, 2008**

# KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

---

To the Members of  
JAG Trading, LLC  
Bloomfield Hills, Michigan

In planning and performing our audit of the financial statements of JAG Trading, LLC (the "Company"), as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities; we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits, and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

JAG Trading, LLC

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the members, management, the SEC, Financial Industry Regulatory Authority ("FINRA"), the American Stock Exchange ("ASE"), the New York Stock Exchange ("NYSE") and other regulatory agencies that rely on rule 17a-5 (g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Kempisty & Company CPAs PC*

Kempisty & Company  
Certified Public Accountants PC  
New York, New York  
February 27, 2009